
THE GENERAL ASSEMBLY OF PENNSYLVANIA

SENATE BILL

No. 794 Session of
2017

INTRODUCED BY MENSCH, WARD, DINNIMAN, FONTANA, MARTIN, YUDICHAK,
LEACH, GORDNER, RESCHENTHALER, BAKER, HUTCHINSON, GREENLEAF,
RAFFERTY, VULAKOVICH, BREWSTER, BROWNE AND ALLOWAY,
JUNE 22, 2017

REFERRED TO FINANCE, JUNE 22, 2017

AN ACT

1 Amending the act of March 4, 1971 (P.L.6, No.2), entitled "An
2 act relating to tax reform and State taxation by codifying
3 and enumerating certain subjects of taxation and imposing
4 taxes thereon; providing procedures for the payment,
5 collection, administration and enforcement thereof; providing
6 for tax credits in certain cases; conferring powers and
7 imposing duties upon the Department of Revenue, certain
8 employers, fiduciaries, individuals, persons, corporations
9 and other entities; prescribing crimes, offenses and
10 penalties," in corporate net income tax, further providing
11 for definitions and providing for deductions.

12 The General Assembly of the Commonwealth of Pennsylvania
13 hereby enacts as follows:

14 Section 1. The definition of "taxable income" in section 401
15 of the act of March 4, 1971 (P.L.6, No.2), known as the Tax
16 Reform Code of 1971, is amended by adding a paragraph to read:

17 Section 401. Definitions.--The following words, terms, and
18 phrases, when used in this article, shall have the meaning
19 ascribed to them in this section, except where the context
20 clearly indicates a different meaning:

21 * * *

1 (3) "Taxable income." * * *
2 (c.1) A deduction under part IV.1 shall be allowed from
3 taxable income as proscribed in a satisfaction commitment letter
4 executed between the Department of Community and Economic
5 Development and a taxpayer under section 407.7(c).

6 * * *

7 Section 2. Article IV of the act is amended by adding a part
8 to read:

9 PART IV.1

10 QUALIFIED MANUFACTURING REINVESTMENT DEDUCTION

11 Section 407.6. Definitions.--(a) For the purposes of this
12 part only, the following words, terms and phrases shall have the
13 meaning ascribed to them in this subsection, except where the
14 context clearly indicates a different meaning:

15 (1) "Annual taxable payroll." The total amount of wages
16 paid by an employer in this Commonwealth for the base year or
17 year one, as applicable, from which personal income tax under
18 Article III is withheld.

19 (2) "Base year." The four calendar quarters preceding the
20 start date.

21 (3) "Department." The Department of Community and Economic
22 Development of the Commonwealth.

23 (4) "Manufacture." The mechanical, physical, biological or
24 chemical transformation of materials, substances or components
25 into new products that are creations of new items of tangible
26 personal property for sale.

27 (5) "Qualified manufacturing reinvestment deduction." An
28 allowable deduction as determined, calculated and executed in a
29 commitment letter between the department and the taxpayer.

30 (6) "Qualified tax liability." A taxpayer's tax liability

1 under this article.

2 (7) "Start date." The first day of the calendar quarter in
3 which a taxpayer advises the department of the taxpayer's intent
4 to initiate an eligible project unless the applicant requests
5 and the department agrees to a later start date.

6 (8) "Year one." The four calendar quarters immediately
7 following the start date.

8 Section 407.7. Manufacturing Innovation and Reinvestment
9 Deduction.--(a) In order to be eligible to receive a
10 manufacturing innovation and reinvestment deduction, a taxpayer
11 must demonstrate to the department a capital investment in
12 excess of one hundred million dollars (\$100,000,000) for the
13 creation of new or refurbished manufacturing capacity within
14 three years of a designated start date.

15 (b) (1) A taxpayer must advise the department in advance of
16 the start date of any project for which the taxpayer may seek a
17 qualified manufacturing reinvestment deduction. A taxpayer must
18 attest the taxpayer's intent to meet the eligibility criteria
19 and provide relevant information pertinent to the project's size
20 and scope in a manner as determined by the department.

21 (2) Within five years of a project's start date, a taxpayer
22 must complete to the department's satisfaction an application on
23 a form and in a manner as determined by the department to attest
24 that the project has been completed and the eligibility criteria
25 has been satisfied.

26 (c) Upon the receipt of a taxpayer's application, the
27 department shall make an eligibility or satisfaction
28 determination within ninety days of submission. If the
29 department makes a satisfaction determination, the department
30 and the taxpayer shall execute a satisfaction commitment letter

1 containing the following:

2 (1) The number of new jobs created and their corresponding
3 description.

4 (2) The number of new jobs created during construction of
5 the project.

6 (3) The amount of private capital investment in the creation
7 of new jobs.

8 (4) The increase in the annual taxable payroll attributable
9 to new manufacturing jobs.

10 (5) A determination of the maximum allowable deduction
11 against a taxpayer's qualified tax liability under this article.

12 (6) Any other information as the department deems
13 appropriate.

14 (d) (1) Upon determining a taxpayer's satisfaction of the
15 eligibility criteria, the department shall calculate the maximum
16 allowable deduction that a taxpayer may claim against the
17 taxpayer's taxable income under this article. The deduction
18 shall be equal to five per cent of the private capital
19 investment utilized in the creation of new or refurbished
20 manufacturing capacity per tax year for a period of five years.

21 (2) A taxpayer may utilize the amount of the deduction in
22 each year of the succeeding five tax years immediately following
23 the department's satisfaction determination and the execution of
24 a satisfaction commitment letter.

25 (3) A taxpayer cannot use the deduction to reduce its tax
26 liability by more than fifty per cent of the tax liability under
27 this article for the taxable year. The deduction is
28 nontransferable and any unused portion in a tax year shall
29 expire at the end of the corresponding tax year.

30 Section 3. This act shall take effect in 60 days.